

Markets on Edge

Weekly Update – December 3, 2012

The combination of unease in Europe and political bickering in Congress set equity markets on edge last week. In spite of the turbulence, key indices still managed to close positive for the week, with the S&P 500 gaining 0.5%, the Dow gaining 0.12%, and the Nasdaq gaining 1.5%.¹

Markets slid Friday after comments by House Speaker John Boehner indicate that fiscal cliff talks have stalled. While the Democrats are seeking \$1.6 trillion in tax increases (aimed largely at wealthy taxpayers), as well as \$50 billion in additional stimulus spending, Republicans are focused on reducing the deficit through closing tax loopholes and reducing entitlement programs.² Since these are essentially the same issues that have been argued over the last year, it seems as though lawmakers are more interested in theatrics than in resolving the issue before the end of the year.

A Greek aid deal was finally reached Tuesday as European ministers convinced a skeptical International Monetary Fund (IMF) that their formula for getting Greece back on track had good odds of success. The deal will cut Greek interest rates and give the ailing nation additional time to pay back rescue loans while giving it a 34.4 billion-euro loan installment in December.³ As part of the agreement, Greece's debt-to-GDP ratio is expected to decline from 190% in 2014 to 124% in 2020. We hope – rather than expect – that Greece will be able to meet the terms of its new deal. Markets appeared to share our skepticism and did not show much reaction to the news.⁴

Next week will see the release of some key economic data, including November jobless claims, which we expect to come in lower as the effects of Superstorm Sandy continue to fade. Although Sandy hit in the latter days of October, the Labor department conducts its payroll survey on the 12th of each month, meaning that November data will capture the effects of the storm. We'll also be able to take a peek at the preliminary consumer sentiment report, which analysts will pore over to get a sense of what holiday retail numbers might look like.⁵ We'll keep you posted. Have a great week!

ECONOMIC CALENDAR:

Monday: ISM Mfg. Index, Construction Spending

Tuesday: Motor Vehicle Sales

Wednesday: ADP Employment Report, Productivity and Costs, Factory Orders, ISM Non-Mfg. Index, EIA Petroleum Status Report

Thursday: Jobless Claims

Friday: Employment Situation, Consumer Sentiment

Data as of 11/30/2012	1-Week	Since 1/1/2012	1-Year	5-Year	10-Year
Standard & Poor's 500	0.50%	12.61%	13.57%	-0.88%	5.13%
DOW	0.12%	6.61%	15.97%	-0.52%	4.64%
NASDAQ	1.46%	15.55%	14.88%	2.63%	10.36%
MSCI EAFE	0.97%	13.78%	11.30%	-4.57%	4.66%

10-year Treasury Note (Yield Only)	1.69%	N/A	2.07%	3.97%	4.21%
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Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized.
Sources: Yahoo! Finance, MSCI Barra. Past performance is no guarantee of future results.
Indices are unmanaged and cannot be invested into directly. N/A means not available.

HEADLINES:

Chinese manufacturing expands in November. In a further sign that China may have turned the corner, the country's official manufacturing index rose to the highest level in seven months. Economists believe that the country may experience additional growth in December due to Christmas.⁶

European rescue funds downgraded. Moody's Investors Service downgraded the Eurozone funds responsible for bailing out periphery nations to Aa1 from Aaa. The move was prompted by concerns about the high correlation in credit risk between the rescue funds and the countries funding them.⁷

Investors flock to Treasuries. Despite the risks posed by the fiscal cliff, investors can't get enough U.S. Treasuries. Reversing a 6-month trend, Treasury purchases topped corporate bonds as investors piled on, seeking asset protection rather than investment growth.⁸

Corporations rush to issue debt in 2012. Record-low rates and potential tax law changes are driving a gusher of new corporate debt. The amount of investment-grade and high yield bonds issued this year is already at a record \$1.2 trillion and is likely to increase before the new year when applicable tax laws may change.⁹

QUOTE OF THE WEEK:

" You're happiest while you're making the greatest contribution." - Robert F. Kennedy

RECIPE OF THE WEEK:

Coffee-Braised Brisket with Potatoes and Carrot



*Enjoy this hearty slow-cooker meal that's perfect for busy days.
Recipe from RealSimple.com.*

Ingredients:

- 1 medium onion, peeled and quartered, stem end left intact
- 1 pound new potatoes (about 12)
- 1 pound medium carrots cut into 2 1/2-inch lengths
- 2 1/2 pounds beef brisket, trimmed kosher salt, and black pepper
- 16-ounce can tomato paste
- 1 cup brewed black coffee
- 3 tablespoons Worcestershire sauce
- 1/4 cup packed light brown sugar
- 2 tablespoons chopped fresh flat-leaf parsley
- country bread (optional)

Directions:

1. In the bottom of a 5- to 6-quart slow cooker, combine the onion, potatoes, and carrots. Season the beef with 1 teaspoon salt and 1/4 teaspoon pepper and place on top of the vegetables.
2. In a small bowl, whisk together the tomato paste, coffee, Worcestershire sauce, and brown sugar; pour over the beef and vegetables. Cover and cook on low until the beef and vegetables are tender, 8 to 9 hours.
3. Slice the beef across the grain and serve with the vegetables and sauce, sprinkled with the parsley. Serve with the bread, if desired.

GOLF TIP OF THE WEEK:

Golf Ball Temperature Can Affect Your Shots

In order to get maximum distance from a golf ball, you must compress it fully. It is generally accepted that a fully compressed golf ball is one that is half flattened at impact. To get full distance with any golf ball, the golfer must supply enough force to half flatten the ball they are using.

In the cold, golf balls don't compress as easily, and thus won't travel as far as they would in warmer weather. An easy way to avoid losing distance is to keep a ball in your pocket and alternate playing holes with that one and another ball in play. This way, your ball stays warm until it's time to hit it on the next hole, enabling you to get more distance. This is especially important when the temperature drops below 50 degrees.

HEALTH TIP OF THE WEEK:

Acupuncture Relieves Pain

While it's not news to the millions of Americans who already take advantage of acupuncture, a recent multinational study offers evidence that the ancient Chinese therapy can reduce chronic pain. Researchers studied the effects of acupuncture on a variety of chronic ailments and showed that patients receiving the test treatment were able to reduce pain symptoms by 50%.

GREEN TIP OF THE WEEK:

Fresh Fish vs. Canned

Consider purchasing fresh fish instead of canned. You will reduce the amount of resources wasted in the canning process and might even save money. For every 10 pounds of canned fish produced, 20 gallons of water and more than half a pound of edible fish are wasted.

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

The Housing Market Index (HMI) is a weighted average of separate diffusion indices based on a monthly survey of NAHB members designed to take the pulse of the single-family housing market. Each resulting index is then seasonally adjusted and weighted to produce the HMI.

The Pending Home Sales Index, a leading indicator of housing activity, measures housing contract activity, and is based on signed real estate contracts for existing single-family homes, condos and co-ops. The PHSI looks at the monthly relationship between existing-home sale contracts and transaction closings over the last four years. The results are weighted to produce the index.

The Chicago Board Options Exchange Market Volatility Index (VIX) is a weighted measure of the implied S&P 500 volatility. VIX is quoted in percentage points and translates, roughly, to the expected movement in the S&P 500 index over the upcoming 30-day period, which is then annualized.

The BLS Consumer Price Indexes (CPI) produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. Survey responses are seasonally adjusted and weighted to produce a composite index.

The Conference Board Leading Economic Index (LEI) is a composite economic index formed by averages of several individual leading economic indicators, which are weighted to produce the complete index.

Google Finance is the source for any reference to the performance of an index between two specific periods.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

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¹ <http://www.briefing.com/investor/markets/weekly-wrap/weekly-wrap-for-november-26-2012.htm>

² <http://www.bloomberg.com/news/2012-11-29/geithner-said-to-offer-fiscal-plan-with-entitlement-cuts.html>

³ <http://www.bloomberg.com/news/2012-11-26/euro-chiefs-claim-greek-progress-seek-to-persuade-ecb-imf.html>

⁴ <http://www.briefing.com/investor/markets/weekly-wrap/weekly-wrap-for-november-26-2012.htm>

⁵ <http://blogs.wsj.com/marketbeat/2012/11/30/next-weeks-tape-sandy-washes-over-jobs-report/>

⁶ <http://www.bloomberg.com/news/2012-12-01/china-s-manufacturing-pmi-expands-for-a-second-month.html>

⁷ <http://www.cnbc.com/id/50031350>

⁸ <http://www.cnbc.com/id/50027436>

⁹ <http://www.cnbc.com/id/50027553>